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ABSTRACT

The New Youth Entrepreneur curriculum is a series of 12 youth-oriented educational modules containing instructional materials, learning activities, and checkup exercises designed to teach students key elements of entrepreneurship. This document is the twelfth module, and discusses the usefulness of a business plan for entrepreneurs starting small businesses. The first section reviews the importance of developing a business plan for new businesses or for major modifications of existing businesses. The following sections then describe the components of a business plan: (1) a description of the nature of the business; (2) the qualifications of those running the business; (3) the nature of the competition; (4) a plan for marketing, including deciding who the target audience is, what information they will need, and what sales tools to use; (5) the accounting system that will be used; (6) a determination of the costs of getting started; and (7) projections of revenue, costs, and profit data. Finally, sample forms are provided for students to develop their own business plan. (CELCEE, an Adjunct ERIC Clearinghouse on Entrepreneurship Education) (MAB)

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The New Youth Entrepreneur*

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You Can Make It Happen
YES! You

The Business Plan

Module 12

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THE NEW YOUTH ENTREPRENEUR

You Can Make It Happen YES! You

The Business Plan

Module 12

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Business Plan

- Developing a business plan



Business Plan

Developing a Business Plan

Barbara thought she had a super idea for a business. She was in charge of decorating for the homecoming dance at school, and loved hanging the crepe paper streamers and colorful balloons. After that, she helped a couple of her friends decorate for their birthday parties, and received compliments for the good job she did. So, she decided to start her own party decorations business.

Barbara knew she would probably need some money to get this operation started, to buy supplies and to advertise her new business. Mr. Rodriguez of the bank was a close friend of the family, and Barbara thought it would be fairly easy to get some money from him because her idea was such a good one. She asked for an appointment, which Mr. Rodriguez granted. Barbara went in with her idea and was surprised at all of the questions that Mr. Rodriguez asked, such as: who is your competition, who will buy your service, how much will your service cost, how do you plan to market your service? Wow, what a lot of questions! Barbara realized that there was a lot more that she had to think about if she was going to ask people for money. Mr. Rodriguez said that even friends and family will probably ask such questions if she asked them for money for the business. In order to get cooperation from others in starting or operating a business, the basics must be thought through.

In this module, you will develop a business plan for an entrepreneurial idea that you have. The business plan should include the basics that Mr. Rodriguez mentioned as well as others. More specifically, after studying this module you should be able to:

1. Provide three reasons why business plans are necessary for a new business or for a major modification of an existing business.
2. Identify the various sections of a business plan explaining why they are necessary.
3. Develop a business plan for a business which you would like to create.



Business Plan

A business plan focuses on particulars about establishing a new business or revising a current business. A business plan is useful for a variety of reasons which include:

1. The plan is necessary for gaining funding from most financial sources, even family and friends. The business plan helps to convince possible lenders to give you a loan. It can also be used to attract individuals to become partners in your firm.
2. The plan helps you think through various aspects of the business. By preparing the business plan, you can better tell if your idea is a good one. Some people get halfway through the business plan and realize that their business idea is not realistic or doable. It is certainly better to realize it early on than after getting into the middle of establishing the business. On the other hand, many people gain more enthusiasm for starting the business after they work through the plan because they see that it can be done.
3. The plan can also serve as a guide for the operation of the business. The goals that you establish for the business which are part of the business plan should be used as checkpoints for the firm. This does not mean that the goals cannot be changed as time goes on. But it is important to have some guidelines by which you can check the health of your firm as you go along.

Developing a business plan can be a fun activity because you are developing a plan in which you are thinking through how you will meet your dreams. Some people, though, find it hard to do because of the writing, thinking, and data gathering that should be done. You should draw upon many different sources for coming up with the content of the plan. Technical assistance can and should be used. Rely on library sources, teachers, governmental documents, and professional associations for assistance. Many financial institutions will also be willing to help you in the development of the plan.

The idea that there is one perfect business plan that fits all businesses is not correct. A business plan cannot be mass produced - it must be custom designed. Your business plan will be different from another person's because you are a different person, your competition will be different, your target market will be different, and your products/services will be different. It is a little like a life story; each person has a different mosaic for his/her life.



Business Plan

NATURE OF THE BUSINESS

There are a number of items that you will want to include in this section. Forms are available at the end of the module which include each of these important elements.

1. What is the name of the business? Make sure that the name is attractive to the customer and is descriptive of the type of business that you are operating.
2. What is the purpose of the business? In this section indicate what you plan to produce and sell.
3. Why did you choose this idea? One major factor to include in this section is whether there is any proof that the product or service that you are producing will sell. Put in this section any information which will prove that there is a demand for this type of item which is not being met. There might be some nationwide studies or articles which indicate that your idea is a very popular one throughout the nation or your region. Be sure to include reference to such articles or studies.
4. Are there any unique qualities to the item that you are planning to produce and/or sell? Put in this section any qualities that your items will have that others will not have, especially those who are in direct competition with you.
5. Who will be your primary customers? Indicate such items as age, sex, income level, and perhaps educational level. If there is population data on the target market in library resources, be sure to include that data in this section.
6. Where will your business be located? Indicate where you will run the project and why have you chosen that location. Is it because of customer traffic patterns, low cost, convenience for you, etc.?



Business Plan

QUALIFICATIONS OF THOSE WHO WILL BE RUNNING THE BUSINESS.

1. Skills needed for the business. In this section, indicate all of the skills that you believe are necessary to make your business work. Include even those which you may not currently have.
2. Skills which you have. Indicate the skills that you have and prove as much as possible why you have those skills. For example, if you believe that you have good personal selling skills, indicate proof that you have such skills, such as selling the most raffle tickets for a class project.
3. Skills which others will be called upon to provide. If you do not have some of the skills mentioned in the first section, that's OK. But, be sure to indicate where you will secure people who have these other skills. If you plan to bring a partner aboard, put in the skills that he/she will bring to the business. If you plan to hire someone to assume some of the activities that you are not very good at doing, put in the type of employee you will be looking for. Also, indicate any volunteer labor, some moms and dads which might be available. Also, you should mention the various sources of assistance on which you will rely to get the business started.

THE NATURE OF THE COMPETITION

1. Who are the major competitors? List in this section the primary competitors in your general area and indicate why you believe that they are your major competitors.
2. Explain how you plan to beat the competition. In this section, there are several options, such as better price, better quality, and different marketing. Select those which best fit your business and explain how and why you will be using them.



Business Plan

MARKETING YOUR PRODUCT

In this section, we have a series of decisions which should help you with your marketing plan. They include:

1. Who is your target audience? There are several characteristics listed in this checklist which should help you identify your target audience. The description in this section should correspond with the section in the first part of the business plan which focuses on the target audience.
2. What information will help people make a decision to buy your items instead of the competitor's? For this checklist, you are asked to indicate factors which most influence your target audience. Then you are asked to rank them as far as importance.
3. Which sales tools and promotions are the best to use for your target audience? In this section, various tools are listed. Check those which you believe should be used and explain why they should be used; also indicate any estimated cost to use the sale tools. Do the same for any sales promotion techniques you plan to use.

In the next section, you are asked to develop some actual sales tools for your product or service. Select those tool(s) which you indicated should be used to sell your product or service. Keep in mind that you want to focus on the concern(s) most important to the identified target audience, as indicated in item #2 under Marketing Your Product.

ACCOUNTING SYSTEM USED

In this section, you make the choice as to whether you plan to use the business checkbook system or the cash shoe box system. Answer the questions as they appear for this section.



Business Plan

COSTS OF GETTING STARTED

A worksheet is provided for you to indicate what you will need to get started and how you will secure the items that you will need. The ending activity in this section focuses on how much money will be needed and where you plan to get the money.

PROJECTED REVENUE, COST, AND PROFIT DATA

Before someone will invest in a firm, they want to know what is the projected profitability of the business. Provide the data for at least six months. Then answer the questions which follow, which lead to the determination of the break-even point.



Business Plan

Nature of Business

1. NAME OF BUSINESS

BUSINESS PLAN PREPARED BY:

DATE: _____



Business Plan

2. MY BUSINESS IDEA IS:

(Describe the Purpose of Your Business in one or two sentences)

3. I CHOSE THIS BUSINESS IDEA BECAUSE:

4. UNIQUE QUALITIES OF WHAT I AM PRODUCING AND/OR SELLING

5. WHO IS MY PRIMARY TARGET AUDIENCE?

6. WHERE WILL MY BUSINESS BE LOCATED?



Business Plan

Personnel For Business

1. THE SKILLS NEEDED TO MAKE THIS IDEA WORK ARE:

2. WHICH OF THESE SKILLS AND EXPERIENCES DO YOU HAVE?
MY SKILLS AND EXPERIENCE:

3. WHO WILL OFFER ANY ADDITIONAL SKILLS WHICH YOU
DO NOT HAVE?



Business Plan

Who will be the first person you will go to for help in those areas where you need more skill, experience or advice?

(NOTE: You may need to come back to this question several times as your business idea grows, and you learn more about business and the kinds of people who are there to help you.)

TYPE OF HELP NEEDED

ADVISOR



Business Plan

Looking at My Competition

MY MAJOR COMPETITORS ARE: (WHO, IN YOUR GENERAL AREA, DOES WHAT YOU WILL BE DOING?)

I PLAN TO BEAT THE COMPETITION BY:
BETTER PRICE? **CIRCLE YES OR NO (EXPLAIN)**

BETTER QUALITY? **CIRCLE YES OR NO (EXPLAIN)**

PROVIDING DOOR-TO-DOOR SERVICE? **CIRCLE YES OR NO (EXPLAIN)**



Business Plan

USING MY AGE AND PERSONALITY AS A COMPETITIVE EDGE? **CIRCLE YES OR NO (EXPLAIN)**

SERVING AREA THAT MY COMPETITORS DON'T GO INTO? **CIRCLE YES OR NO (EXPLAIN)**

USING EXCITING PROMOTIONS? **CIRCLE YES OR NO (EXPLAIN)**

MY SECRET WEAPON? (EXPLAIN)



Business Plan

Marketing Your Product

In planning your sales promotion or program, you must make several major decisions. You have to make ALL of the decisions BEFORE you begin selling your product.

DECISION 1: WHO IS YOUR "TARGET" AUDIENCE? (Who and where are your potential customers?)

What age are they? _____

What sex are they? _____

What race are they? _____

How much money do they have?
(Are they wealthy or poor?) _____

Where do they live? _____

What are their interests? _____

What will attract them to your
product: Price? Quality?
Service? Selection? You? _____



Business Plan

DECISION 2: WHAT INFORMATION WILL HELP PEOPLE MAKE A DECISION TO BUY YOUR PRODUCT INSTEAD OF YOUR COMPETITOR'S PRODUCT?

WHAT ARE YOUR MAJOR AND MINOR SALES MESSAGES?

Is your Target Audience most concerned with:

- COST?
- SAFETY?
- QUALITY?
- CONVENIENCE?
- AVAILABILITY?
- GOOD SERVICE?
- STATUS?
- SOMETHING ELSE? WHAT?

For those that you checked, rank in order the concerns from most to least important.

REMEMBER:

PEOPLE GENERALLY CONCENTRATE ON ONE MESSAGE AT A TIME.

No matter how many good things can be said about your product or service, most of the time you will be selling only THE MOST IMPORTANT POINT. This is especially true on posters, billboards, radio, TV, and flyers.



Business Plan

DECISION 3: WHAT SALES TOOLS WILL YOU USE? IF YOU ARE GOING TO DO A GREAT JOB, YOU NEED GOOD TOOLS AND YOU NEED TO USE THE RIGHT TOOL FOR THE RIGHT JOB.

I have reviewed the various tools and have decided that for MY business, the best sales tools are:

- PHONE CALLS (TELEMARKETING)
- PERSONAL CONTACT (FACE-TO-FACE SALES CALLS)
- NEWSPAPER ADS
- POSTERS
- DIRECT MAIL
- FLYERS
- RADIO ADS
- BROCHURES
- PUBLICITY

Reason(s) for selecting these tools

I EXPECT TO SPEND \$_____ ON SALES TOOLS.



Business Plan

I will use the following sales promotions to help sell MY product or service:

- FREE GIFTS
- DISCOUNT COUPONS
- SPECIAL SALES
- BUY-ONE-GET-ONE-FREE SPECIALS
- FREE SAMPLES
- OTHER

Reason(s) for using these sales promotion technique(s)

I EXPECT TO SPEND \$_____ ON SALES PROMOTIONS.



Business Plan

**On the following pages, you are asked to show
how you would design
some of the major sales tools.
Be creative!**

**Remember, you want people to buy
your product
based on these tools.**



Business Plan

SALES TOOLS

TELEPHONE SCRIPT: This is what I would say on the phone when trying to sell my company's product or service:

"HELLO MRS. STIER

NEWSPAPER AD: Write a newspaper ad for your business. Because this can be expensive, limit your ad to 50 words or less and use abbreviations whenever you can. Look at the ads in your paper to learn how to do it. Remember, make it interesting; make it stand out from the other ads.

RADIO AD: Write an ad for your product or service. Radio time is expensive. Limit yourself to 10 seconds. Time yourself while reading it to get it UNDER 10 seconds. Then tape yourself reading the ad. Listen to it as if you were a potential customer. Did it get your attention? Did it make you want to buy the product? Did the ad give all of the information you needed? Price? Phone number?



Business Plan

A FLYER: Design a flyer for your business. Think about the major points that you want to make. Give most of the space to the most important point. Try to include some reference to the more minor concerns. Think about all of the flyers that you have seen. Most of them you threw away without even reading them. Some you found interesting enough to read. Try to make YOURS one that gets read. Use an entire page for your flyer.



Business Plan

POSTERS: Design a poster to promote your business. Try to incorporate a special sales promotion. Use this page to show what you would put on the poster.



Business Plan

Accounting System Use

For my business, I have decided to use:

- BUSINESS CHECKBOOK SYSTEM**
- CASH SHOE BOX SYSTEM**

I chose this method because:

If you chose the BUSINESS CHECKBOOK SYSTEM, answer the following questions:

Which bank will you use for your account?

On what date will you open the account?

Who will be able to sign the checks?

How much will you put into the account when you open it?

How much will the checks cost you?



Business Plan

If you chose the CASH SHOE BOX SYSTEM, answer the following question:

If more than one person will be involved in the business, who will be in charge of the cash box and the records?



Business Plan

Costs of Getting Started

Directions: Indicate the items that you will need to get started for the first two weeks. Also, show where you will get the item. For those which carry a money cost, put in an estimated amount for cash.

ITEM	COST	PURCHASE	RENT	BORROW	BARTER	DONATION
TELEPHONE						
OFFICE SPACE						
TRANSPORTATION: BIKE						
BUS FARE						
CAR: GAS, OIL,						
EQUIPMENT						
BOOKKEEPING SUPPLIES						
ADVERTISING/ MARKETING						
COST OF OPENING BANK ACCOUNT						
PRODUCT COST; SUPPLIES						
LABOR						

CONTINUED ON NEXT PAGE



Business Plan

ITEM	COST	PURCHASE	RENT	BORROW	BARTER	DONATION
LEGAL FEES: LAWYER						
FILING COSTS/ REGISTERING CO.						
STORAGE SPACE						
CONSUMABLE SUPPLIES - USED WHILE PROVIDING YOUR SERVICE						
OTHER						
OTHER						
OTHER						

FIGURE THE TOTAL CASH YOU WILL NEED FOR THE FIRST TWO WEEKS OF YOUR BUSINESS BY ADDING THE COST OF ALL ITEMS THAT YOU HAVE CHECKED OFF TO PURCHASE OR RENT.

THAT TOTAL IS \$ _____



Business Plan

I now know that in addition to the items I will get by borrowing, bartering, or through donations, I will need \$_____ IN CASH to begin my business and carry it on for at least two weeks. I plan to get the cash from the following sources:

SOURCE	AMOUNT
PERSONAL SAVINGS	\$ _____
BORROW FROM FAMILY	\$ _____
BORROW FROM FRIENDS	\$ _____
BORROW FROM BANK	\$ _____
PARTNER'S SAVINGS	\$ _____
EARNINGS FROM FIRST TWO WEEKS OF BUSINESS	\$ _____
EARNINGS FROM TEMPORARY JOB	\$ _____
SALE OF PERSONAL BELONGINGS	\$ _____
OTHER	\$ _____
OTHER	\$ _____
OTHER	\$ _____



Business Plan

Projected Financial Data

1. Show estimated revenue, costs, and profits for a period of six months by completing the following.

Month					
1	2	3	4	5	6

Revenue

Sales _____

Other _____

Expenses

Labor _____

Advertising _____

Supplies _____

Rent _____

Transportation _____

Postage _____

Telephone _____

Other _____

Projected Profit

2. For the six month period, indicate the total amount of fixed and variable costs.
3. Indicate when the break-even point will occur for your business. In this analysis, you will need to show the pricing per unit sold.